

Message Text

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C O N F I D E N T I A L MANILA 0381

STADIS/LIMDIS////////////////////////////////////

E.O. 11652: GDS

TAGS: ENRG, RP

SUBJECT: MOBIL OIL

REF: STATE 4263

1. THE COMBINATION OF ORIGINAL GOP RESERVATIONS ABOUT MOBIL SHARE PURCHASE OPTION, THE PERSONALITIES OF KEY PLAYERS, AND THE RECENT INTENSE/STRIDENT QUALITY OF ENCOUNTER ALL PLAY A PART IN THE CURRENT PROSPECTS OF SETTLEMENT. ASSOCIATED WITH THESE ARE FILIPINO VIEWS ON LAND OWNERSHIP AND, OVER THE LONG RUN, ON THE OWNERSHIP OF KEY ACTIVITIES SUCH AS PETROLEUM PRODUCTION AND REFINING. MOBIL'S STYLE IN HANDLING APPEARS TO US, AS WE HAVE INDICATED, TO STRENGTHEN GOP RESOLVE AND TO MAKE SETTLEMENT MORE DIFFICULT.

2. IN TALK JAN 9 WITH ECON/COMMERCIAL COUNSELOR, MOBIL REP WALES INDICATED THAT IN PAST FEW DAYS MOBIL HAS RECEIVED A LETTER FROM PNOC REQUESTING RELINQUISHMENT OF THREE PERCENT SHARE WHICH MOBIL HOLDS IN EXCESS OF FORTY PERCENT AND BASING THIS REQUEST ON ABAD SANTOS OPINION (BRC OWNS 200 HECTARES OF LAND AND HOLDS A FORESHORE LEASE). WALES REPORTS THAT MOBIL DECLINED SAYING EXERCISE OF OPTION TO BUY 7 PERCENT IS ON THE TABLE. WALES STATED TO ECON/COMMERCIAL COUNSELOR THAT THERE IS NO REPEAT NO GIVE IN MOBIL POSITION ON THIS POINT.

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3. COMMENT: AS WE STATED IN MANILA'S 228, WE SEE NO FUTURE IN MOBIL'S NO COMPROMISE POSITION. ON CONTRARY, AS WE SEE THEIR LONG RUN SITUATION (A) 60-40 IS PERHAPS BEST BARGAIN THEY MAY PROVE ABLE TO STRIKE ON BOTH CONSTITUTIONAL (LAND) AND POLICY (PRECEDENT FOR JOINT GOP/ FOREIGN VENTURE IN THIS FIELD) GROUNDS, (B) CURRENT MOBIL POSTURE APPEARS DISREGARD CRITICAL IMPORTANCE TO FIRM (ADMITTED BY WALES) OF KEEPING A SIZEABLE ACCESS TO REFINERY CAPACITY IN ORDER TO PROTECT MOBIL MARKETING POSITION, AND (C) 50-50 DEAL SOUGHT BY MOBIL OBVIOUSLY HAS MORE POTENTIAL FOR TROUBLE THAN FOR GAIN. IT SEEMS CLEAR THEREFORE THAT FROM THE BEGINNING MINORITY SHAREHOLDER RIGHTS AND PERHAPS MOBIL'S MANAGEMENT ROLE THROUGH THE SERVICE AND TECHNIAL AGREEMENT SHOULD HAVE BEEN THE MAIN FOCUS OF MOBIL EFFORT. IT WAS OUR EARLIER JUDGMENT, SUPPORTED BY MOBIL EFFORTS EARLY LAST YEAR TO NAIL DOWN THESE TWO ASPECTS OF THE RELATIONSHIP WITH PNOC AS A FIRST PRIORITY, THAT MOBIL HAD INSISTED ON THE SHARE PURCHASE OPTION AS A MEANS TO PROTECT THESE BASIC INTERESTS. THE NO COMPROMISE ATTITUDE AND THE HEAD DOWN PURSUIT OF THE 7 PERCENT SHARE, HOWEVER, BESPEAK A SERIOUS CONFUSION OF MEANS AND ENDS WHICH WE FAIL TO UNDERSTAND.

4. WE HOPE JAN 9 MEETING MIGHT BE MADE TO SHED SOME LIGHT ON THIS AS WELL AS ON THE NATURE OF SUPPORT MOBIL MAY SEEK FROM USG. REPLIES TO A FEW LEADING QUESTIONS ON MOBIL OBJECTIVES AND INTERESTS WOULD BE ESPECIALLY HELPFUL TO US IN ANY REPRESENTATIONS WE MIGHT MAKE ON THEIR BEHALF.
SULLIVAN

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